

Message Text

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ORIGIN EUR-25

INFO OCT-01 ISO-00 SAM-01 FEA-02 AGR-20 CEA-02 CIAE-00

COME-00 DODE-00 EB-11 FRB-02 H-03 INR-10 INT-08 L-03

LAB-06 NSAE-00 NSC-07 PA-04 RSC-01 AID-20 CIEP-02

SS-20 STR-08 TAR-02 TRSE-00 USIA-15 PRS-01 SP-03

OMB-01 SWF-02 /180 R

DRAFTED BY EUR/IB:JMSMITH:MS

APPROVED BY S/AM - AMB. MCCLOSKEY

EUR/IB - MR. LUKENS

EUR - MR. STABLER

----- 029742

R 260155Z JUN 74

FM SECSTATE WASHDC

TO AMEMBASSY MADRID

C O N F I D E N T I A L STATE 137153

E.O. 11652: GDS

TAGS: OVIP, ETRD, SP

SUBJECT: CORTINA VISIT: COUNTERVAILING DUTY PROBLEM

1. DURING AFTERNOON MEETING JUNE 21 WITH AMBASSADOR MCCLOSKEY, FOREIGN MINISTER CORTINA RAISED SUBJECT OF PENDING TREASURY COUNTERVAILING ACTIONS REGARDING IMPORTS OF FOOTWEAR AND BOTTLED OLIVES FROM SPAIN. CORTINA SAID HE WAS SURPRISED TO LEARN THAT TREASURY HAD FOUND SUBSIDIES OF APPROXIMATELY THREE PER CENT IN THE CASE OF BOTH PRODUCTS. IN GOS VIEW THERE WAS NO SUBSIDY, BUT IN ANY CASE THE AMOUNT WHICH MIGHT BE SUSPECTED OF CONSTITUTING A SUBSIDY COULD NOT EXCEED ONE OR ONE AND ONE-HALF PER CENT AT THE MOST. HE WANTED TO EMPHASIZE, HOWEVER, THAT HIS MAIN CONCERN WAS THAT NO RPT NO PUBLIC ACTION BE TAKEN BY TREASURY BECAUSE OF THE ADVERSE EFFECT THIS WOULD HAVE ON SPANISH PUBLIC OPINION AND ON U.S.

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IMPORTERS.

2. AMBASSADOR MCCLOSKEY REPLIED THAT TREASURY WAS SENDING A TECHNICAL TEAM TO MADRID JUNE 26 TO EXPLAIN TO THE GOS HOW TREASURY ARRIVED AT ITS FINDING. HE SAID HE UNDERSTOOD NO FORMAL ACTION WAS PLANNED BEFORE THE GOS REPLIED TO THE PROPOSAL MADE BY SECRETARY SIMON TO FINANCE MINISTER BARRERA DURING THE LATTER'S VISIT TO WASHINGTON.

3. AT THE CONCLUSION OF THE DISCUSSION CORTINA PRESENTED MEMORANDUM (A COPY OF WHICH HAS BEEN POUCHED TO THE EMBASSY ATTN. MR. OLIVER) MAKING THE FOLLOWING POINTS, AMONG OTHERS:

A. THE SPANISH REBATE SYSTEM MEETS WITH THE APPROVAL OF GATT;

B. IN VIEW OF GOS EXPORT REBATES ON FOOTWEAR AND BOTTLED OLIVES DO NOT SHIELD A BOUNTY;

C. EXPERIENCE SHOWS THAT ISSUANCE OF FORMAL NOTICE OF INVESTIGATION IN FEDERAL REGISTER HAS ADVERSE EFFECT ON EXPORTS OF PRODUCTS IN QUESTION;

D. OPENING OF FORMAL INVESTIGATION "WOULD SET LOOSE A RECIPROCAL PROTECTIONIST CLIMATE IN THE TRADE AND ECONOMIC RELATIONS BETWEEN BOTH COUNTRIES."

E. "GOS IS READY TO PREVENT, BY ALL MEANS WITHIN ITS REACH, A TRADE CONFRONTATION."

F. GOS DECISION, AT THE REQUEST OF USG, NOT TO FOLLOW DEVALUATIONS OF THE DOLLAR IN 1971 AND 1973, CAUSED 15 PER CENT INCREASE IN SPANISH EXPORT PRICES AND THUS CAUSED DECLINE IN GROWTH OF SALES IN U.S. MARKET, WHILE U.S. EXPORTS TO SPAIN HAVE INCREASED. SISCO

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EXPORTS, FOOTWEAR, TRADE, VISITS, MEETINGS, COUNTERVAILING DUTIES, OLIVES
Control Number: n/a
Copy: SINGLE
Draft Date: 26 JUN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: BoyleJA
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE137153
Document Source: CORE
Document Unique ID: 00
Drafter: JMSMITH:MS
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740167-1155
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740612/aaaaajkx.tel
Line Count: 96
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: BoyleJA
Review Comment: n/a
Review Content Flags:
Review Date: 12 JUN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12 JUN 2002 by kelleyw0>; APPROVED <25 MAR 2003 by BoyleJA>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CORTINA VISIT: COUNTERVAILING DUTY PROBLEM
TAGS: PFOR, US, SP, (CORTINA MEURI, PEDRO)
To: MADRID
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005